

# MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

## DIVISION OF CREDIT UNIONS

### NEWSLETTER

Volume 3, Number 7 August 13, 2001

#### CREDIT UNION COMMISSION MEETS

The Credit Union Commission met on August 9, 2001. Commission members in attendance were Pat Yokley, Bill Humpfer, Sharon Ichord, Cathy Stroud, John Hanneke, and Pat Macdonald. Others attending were Christy Kincannon and Patrick O'Leary, Attorney General's Office; Becky Kilpatrick, attorney, Department of Economic Development; Marc Ellinger, attorney, John S. Pletz, attorney, Bill Trenchard, Central Communications Credit Union, Tim Vogler and Phil Weber, KC Police Credit Union, Charlie Waalkes, Telephone Credit Union, Leon Kusnetzky, attorney, Hubert Hoosman, Educational Employees Credit Union, Mike Winter, Peggy Nalls, Lisa Cassady and Amy McLard, Missouri Credit Union System, Rob Berry, Zurett Merridith, and John P. Smith, Division of Credit Unions.

The Commission adopted a resolution appointing Zurett Merridith as record custodian.

The Commission, after considerable discussion, upheld the Director's decision approving the expansions of **South Community Credit Union** and **Central Communications Credit Union** fields of membership. The Commission assessed costs of the appeals to the non-prevailing parties, the Missouri Bankers Association, Bank of Washington and the Hamilton Bank.

The Commission reviewed the field of membership expansion application submitted by **KC Police Credit Union**. More than 3,000 potential members existed within the group. The Commission found that the group met the criteria for an exemption from the limitations on groups in 4 CSR 105-3.040.

The Commission set the date of October 19, 2001 for the appeal of the Director's decision approving the field of membership expansion for Educational Employees Credit Union.

The Director presented a proposed amendment to the Credit Union Service Organization rule (4 CSR Credit 100-2.085) for consideration by the Commission. After

discussion, receiving verbal testimony from Leon Kusnetzky and going into closed session for legal advice, the Commission suggested the Director make additional changes to the proposed rule.

The next regularly scheduled meeting of the Commission is October 19, 2001. The meeting will be held in Room 500, Harry S Truman Office Building. Meetings by telephone conference call may be scheduled to take up business that requires action before the October 19 meeting.

#### FIELD OF MEMBERSHIP APPLICATION UPDATE

**Springfield Telephone Employees Credit Union** submitted an application to include those persons who reside or work in the 417 telephone Area Code and the 573 (bordered on the north by I-70) telephone Area Code. The Director approved the expansion of **Springfield Telephone Employees Credit Union** to those in the 417 Area Code, but not the 573 Area Code. The decision was published in the November 15, 2000 Missouri Register. On November 30, 2000 the Missouri Bankers Association and Century Bank of the Ozarks filed an appeal of the decision to the Credit Union Commission. The Commission heard the appeal on March 29, 2001. On May 24, 2001 the Commission upheld the decision of the Director. The decision was signed by six of the seven Commissioners at the August 9, 2001 meeting. Once all Commissioners have signed the decision, it will be released and the Director will file **Springfield Telephone Employees Credit Union's** amended bylaws with the Secretary of State.

**South Community Credit Union** submitted an application for those who work or reside in Zip Codes 63109, 63111, 63116, 63123, 63125, 63128, 63129, and Crawford County, Franklin County, Gasconade County and Washington County. **Central Communications Credit Union** submitted an application for those persons who reside or work in the 816 telephone Area Code. The Director approved the applications submitted by **South Community and Central Communications'**. These decisions were published in the November 15, 2000 Missouri Register. On November 30, 2000 the Missouri Bankers Association

and two local banks located in each of the two applicants' field of membership expansion areas filed appeals of the decisions to the Credit Union Commission. The Commission received the record of appeals from all parties on May 24, 2001 and set briefing schedules. On August 9, 2001 the Commission upheld the decisions of the Director.

**Gateway Metro Credit Union** submitted an application for those living or working in the Missouri counties of St. Louis, St. Charles and Jefferson. **Educational Employees Credit Union** submitted an application for those who live or work in St. Louis County, St. Charles County, Jefferson County, Cape Girardeau County and Franklin County. These applications were published in the December 15, 2000 Missouri Register. The Director approved the applications and his decisions were published in the February 15, 2001 Missouri Register. On March 1, 2001 the Missouri Bankers Association and two local banks located in each of the applicants' field of membership expansion areas filed appeals of the decisions to the Credit Union Commission. The Commission on October 19, 2001 will hear the appeal of **Educational Employees Credit Union**. No date has been set to hear **Gateway Metro Credit Union's** appeal.

**Mazuma Credit Union** submitted an application for those who live or work in Clay County, Platt County and Jackson County. The application was published in the January 16, 2001 Missouri Register. The Director approved the application and the decision was published in the March 15, 2001 Missouri Register. On March 30, 2001 the Missouri Bankers Association and a local bank located in the field of membership expansion area filed an appeal of the decision to the Credit Union Commission. On May 5, 2001 Mazuma amended the application to Jackson County rendering the appeal moot. The application was published in the May 15, 2001 Missouri Register. The Director approved the application and his decision was published in the July 2, 2001 Missouri Register. The decision is now final.

**Glass Workers Credit Union** submitted an application for those persons living or working in Jefferson County and Ste. Genevieve County and family members and organizations of such persons. The application was published in the April 2, 2001 Missouri Register. The Director approved the application and the decision was published in the June 15, 2001 Missouri Register. An appeal of the Director's decision was received on June 29, 2001. The Credit Union Commission has not set a date to hear the appeal.

**Alliance Credit Union** submitted an application for those who work or reside in Zip Codes 63304, 63366, and 63367. The application was published in the April 2, 2001 Missouri Register. The Director approved the applications and the decision was published in the June

15, 2001 Missouri Register. The decision is now final.

**Anheuser Busch Employees Credit Union** submitted an application for people who live or work in the 63104 Zip Code and the remainder of the Soulard Historic District. The application was published in the May 15, 2001 Missouri Register. The Director approved the application and the decision was published in the July 2, 2001 Missouri Register. The decision is now final.

**City Utilities Credit Union** submitted an application for community residents and workers in Greene and Christian Counties. The application was published in the June 1, 2001 Missouri Register. The Director approved the application and the decision was published in the August 1, 2001 Missouri Register. A fifteen day calendar period for appeal of the decision must occur before the decision is final.

**First Missouri Credit Union** submitted an application for anyone living or working in Zip Codes 63010, 63111, 63116, 63123 and 63128. The application was published in the July 2, 2001 Missouri Register. The Director approved the application and the decision was published in the August 1, 2001 Missouri Register. A fifteen day calendar period for appeal of the decision must occur before the decision is final.

**Lake City Credit Union** submitted an application for those who live or work in Zip Codes 64014, 64015, 64016, 64056, 64057, and 64058. The application was published in the July 16, 2001 Missouri Register. The Director approved the application and the decision was published in the August 1, 2001 Missouri Register. A fifteen day calendar period for appeal of the decision must occur before the decision is final.

**District 4 Highway Credit Union** submitted an application to add family members. The application was submitted for publication in the August 15, 2001 Missouri Register. A ten business day comment period must occur before a decision can be made.

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## RULE MAKING IN PROCESS UPDATE

The Division is continuing to review and update rules. The following is a summary of rules being amended.

### 4 CSR 100-2.060 Delinquent Loan and Extension agreements Reporting Procedures

The proposed amendment revises the approved investment accounting procedures, eliminates a redundant minimum capital requirement, and clarifies requirements for reviewing delinquent loan schedules. The proposed rule was published in the June 1, 2001 Missouri Register for a thirty day comment period. No comments were received. The final order of rule making

will be published in the August 15, 2001 Missouri Register. The rule is effective thirty days after publication in the Code of State Regulations (CSR).

#### **4 CSR 100-2.160 Semi-annual Report of Conditions**

The proposed amendment allows the Director to require a credit union to file call reports, as often as quarterly, if a credit union is required to file quarterly call reports with the National Credit Union Administration. The proposed rule will be published for a thirty day comment period in the September 17, 2001 Missouri Register.

#### **4 CSR 100-2.040 Loans**

The proposed amendment deletes requirements concerning how specific documents are to be prepared and codifies the requirement, currently implemented as part of the examination process, of maintaining current written lending policies. The proposed rule will be published for a thirty day comment period in the September 17, 2001 Missouri Register.

Contact the Division of Credit Unions if there are questions concerning these proposed rules.

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### **OBSERVATIONS FROM THE JUNE 30, 2001 CALL REPORT**

Early reports from the examiners on the June 30<sup>th</sup> call reports indicate some good and bad trends. Given the economic circumstances and credit unions' historic management patterns these trends were not unexpected. These observations do not apply to all credit unions but are conditions that have come to the attention of the Division of Credit Unions.

**Growth in shares appears quite high for many credit unions.** This trend is because of people's propensity to borrow less and save more when the future is uncertain. Also some "flight to quality (safety)" occurred because of the stock market performance and consequent shifts in savings patterns. The Federal Reserve has lowered interest rates relatively far and fast, which means that credit unions that delayed lowering rates fast enough and/or far enough were particularly impacted.

**This delayed action effect also partly produced lower loan demand.** Credit unions ramped up loan rates last year to curb borrowing/increase yields and have not lowered these rates. This is partly why interest rate decreases have a delayed effect on the economy that is not always readily apparent. Credit unions will ultimately better serve their members and have less ups and downs in their financial performance if they react in a more timely fashion than their competitors. This is an area where credit unions can particularly distinguish themselves from for profit institutions.

**Profitability has decreased.** Again no individual financial institution can ignore the general market for long. Sooner or later the adjustments to rates will have to be made. In this case if savings rates are too high shares increase beyond a credit union's ability to profitably invest those funds. Cost of funds increase faster than the yield on assets or more appropriately yield on assets decrease because the market sets the rates on investments and profitability suffers.

**Capital positions fall.** Capital positions have fallen due to asset growth and slowing capital contributions (profitability). This is obviously a trend that must at some point be reversed. Credit unions reporting a net worth position of less than **8%** will be notified by the Division to provide board approved capital goals, controlled asset growth plans, and profitability requirements as well as actions that have already been taken to improve the capital position. These board approvals must be accompanied by the President/Manager/Treasurer's specific actions to accomplish these goals including time frames.

The Division's goal is safety and soundness by ensuring credit unions have an adequate cushion against losses.

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### **FROM THE DIRECTOR**

Like everyone else, I received numerous privacy notices from financial institutions, credit card companies, and credit unions during the past several weeks. Some were written in easily understandable language, others in "legalese" that made it difficult if not impossible to understand the message. Most individuals are concerned about the privacy and security of their personal data. If a business does not share my personal account data with others, they should say so in plain understandable language. If the reverse is so, a clear statement describing who, when and why they share the data is expected. A well written understandable privacy statement is good public relations that instills confidence in the company no matter what type of products or services offered.

A research link has been added to Division of Credit Unions' home page <http://www.ecodev.state.mo.us/cu/>. Access to Missouri census data, economic indicators and results of studies conducted by region or counties are among the information available.

